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A Nasdaq for Sneakerheads? StockX Aims to Tame ‘Chaos’ of Luxury Market

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Josh Luber, the chief executive and co-founder of StockX, started his sneaker collection at age 10 and now has more than 350 pairs in the converted attic of his home in Birmingham, Mich. Brittany Greeson/The New York Times

By Dan Hyman
July 6, 2018

DETROIT — Standing among more than 350 pairs of sneakers in his converted attic, Josh Luber, a self-proclaimed “sneakerhead,” held a pair of nearly identical Nike Air Jordan 11s in each hand. He

his converted attic, Josh Lubner, a self-proclaimed “sneakerhead,” held a pair of nearly identical Nike Air Jordan IVs in each hand. He eyed them as if they were rare biological specimens.

One was a standard model of the shoe that typically sells on secondary markets for \$160; the other was an ultrarare model designed by the rapper Eminem that can fetch more than \$20,000.

“This is the sneaker industry right here,” he said, referring to how brands use scarcity and buzz to drive up prices in secondary markets and create brand cachet.



The StockX office features a replica of the Quicken Loans Arena basketball court, home of the Cleveland Cavaliers. Dan Gilbert, a StockX co-founder, is the majority owner of the Cavaliers. Brittany Greeson/The New York Times

That price volatility helped inspire Mr. Lubner to found [StockX](#), an e-commerce platform for luxury goods. The familiar model of buying and selling high-end shoes “leads to chaos,” Mr. Lubner argued. When limited-edition sneakers are released, people camp in line for days to get their hands on a pair, and the opportunity to make a quick profit can lead some to bribe store workers. It can even turn to violence: In 2015, a Brooklyn teenager was [shot in his foot](#) for cutting in line.

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So Mr. Luber, the company's chief executive, and his co-founders, including Dan Gilbert, the billionaire founder of Quicken Loans, came up with what they believe to be an elegant solution to determine the value of high-end goods: Treat them as if they were stocks.

On StockX, products, which include streetwear, handbags and watches in addition to sneakers, are assigned ticker symbols. Sellers put out asking prices, and buyers bid. Users can see data like recent sale figures from across the internet, price volatility, and 52-week highs and lows. Once a bid and an ask coincide, the sale is automatically made.





A Nike shoe is photographed at the StockX offices for customers to view online in 360 degrees. Brittany Greeson/The New York Times

Niche marketplaces for high-end goods are not new: Before sneakerheads connected on the internet, there were consignment shops reselling shoes and stores that specialized in just one brand of watches. But when people have access to hard data on how a product is selling across the market, they can best understand its true value, which has the potential to bring down prices, Mr. Luber argued.

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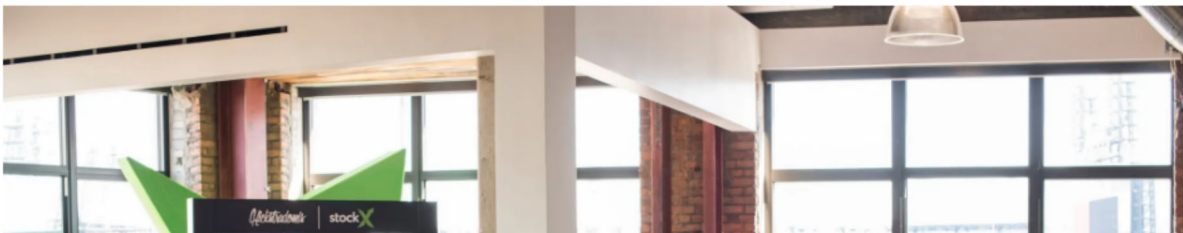
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His goal is to work directly with retailers and have products open on StockX in an initial public offering of sorts. He said that this would provide more pricing stability, and that allowing average consumers access when new products were released could help brands expand their customer bases.

“Brands love the fact that, ‘Oh, yeah, people waited three days outside of the store to get my product,’” Mr. Luber said of traditional product releases. “Our whole idea is, ‘Look, there’s just a different way to benefit from that that adds order to it.’”





In April, 150 of StockX's most loyal buyers and sellers — sneakerheads and small-business owners — gathered in Detroit for StockX Day. Brittany Greenson/The New York Times

In April, 150 of StockX's most loyal buyers and sellers, selected from more than 5,000 applicants, gathered in Detroit for the second StockX Day. Some attendees treated Mr. Luber as if he were a celebrity. During a question-and-answer portion, a 24-year-old woman from New York told him that his [2015 TED Talk](#) on the sneaker industry had inspired her to become an entrepreneur.

"You are why we exist!" Mr. Luber, wearing a pair of Air Jordan I sneakers customized for StockX by Jake Ferrato, a shoemaker in Cleveland, told the crowd. The attendees included employees from Nike and Complex, owners of resale businesses, and rabid collectors, including the 12-year-old son of a Venmo executive who had flown in for the event. To the crowd's delight, the 12-year-old scored an autographed LeBron James basketball jersey during a raffle.

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Onstage, Mr. Luber, 40, teased the 56-year-old Mr. Gilbert, wearing a pair of brown hiking boots, like a son poking fun at his decidedly unhip father. Three years as business partners, “and I still can’t get you to wear a pair of sneakers,” Mr. Luber said.



More than 5,000 people applied to attend StockX Day, which included a tour of the company’s offices.
Brittany Greeson/The New York Times

Mr. Luber, who, like many sneakerheads, speaks of his footwear collection as if it were an ever-expanding portfolio, started collecting at age 10. In 2012, while an analyst at IBM, he founded Campless, a website he described as the Kelley Blue Book for sneakers. When he met with brand representatives, he would describe his dream of a marketplace that treated sneakers as if they were assets. Companies were interested in his data but uninterested in overhauling their sale process.

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ENTREPRENEURSHIP: A Nasdaq for Sneakerheads? StockX Aims to Tame 'Chaos' of Luxury Market
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In April 2015, Mr. Luber was summoned to a meeting with Mr. Gilbert, who had started an in-house incubator and was exploring new business ideas. Mr. Gilbert was intrigued by the idea of a stock-market model for e-commerce and, as the father of a teenage sneakerhead, was convinced that sneakers were a perfect starting point to test the concept.

To protect against knockoffs, sellers ship purchased products to StockX, which authenticates the items and sends them to buyers by day's end, similar to services provided by other high-end marketplaces. StockX takes a 9.5 percent commission on each sale.



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StockX's offices occupy almost an entire floor of the One Campus Martius building in Detroit, where Quicken Loans is also headquartered. Brittany Greeson/The New York Times

Since starting in February 2016, StockX has grown to more than 10,000 transactions per day. It has added nearly 170 of its more than 370 employees since the end of April.

"We've gone from zero to \$700 million in sales in two years, and most of the world doesn't even know this exists," said Greg Schwartz, 37, a co-founder and now the company's chief operating officer.

As a test of the model of an initial offering, StockX [teamed up with Nike](#) in January to release limited-edition LeBron James shoes, with the prices determined by an open auction. The sneakers sold



Nike in January to release limited-edition LeBron James shoes, with the prices determined by an open auction. The sneakers sold for an average of \$6,000 per pair. Winning buyers could resell the shoes on the platform without ever taking physical ownership of them.



A StockX staff member checking a pair of shoes sold through the site for authenticity.
Brittany Greeson/The New York Times

“This then becomes true commodities trading,” Mr. Luber said. It’s not dissimilar from trading oil futures, he said. In fact, because the items were resold without physically changing hands, StockX worried the shoes might be considered futures and “spent a lot of time talking to lawyers making sure we weren’t running afoul of any securities laws,” Mr. Luber said.

With a billionaire co-founder, capital has not been an issue, but StockX has still sought out investors who Mr. Schwartz said “provide outside value” or cultural cachet: Eminem and his manager, Paul Rosenberg; the actor Mark Wahlberg; Scooter Braun, Justin Bieber’s manager; and Steve Case and Tim Armstrong, former chief executives of AOL.

Noting that AOL aimed to give more Americans access to the internet, Mr. Case said StockX was similarly centered on giving average consumers access to scarce luxury goods, which are often scooped up by insiders. There’s no guarantee those consumers will be able to afford the items, but the prices will at least be fairer, he said.





With StockX, Mr. Luber hopes to make the process of buying high-end goods, such as rare sneakers, more equitable. Brittany Greeson/The New York Times

Outside of capital investment, Mr. Gilbert's involvement has been a major boon to StockX. The company had access to Quicken's resources and employee benefits and to cross-promotional marketing opportunities, such as a [Super Bowl ad this year for Rocket Mortgage](#) featuring a teenager wearing a StockX baseball cap. StockX's offices occupy almost an entire floor of Detroit's towering One Campus Martius building, where Quicken has its headquarters.

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StockX has two authentication centers and more than 100 authenticators, who go through a 90-day training course. As the authenticators receive items, the details of the product and the sale are available on a computer screen at their station. Once they have performed all the steps in the authentication — which can include smelling the shoe — a shipping label is printed and the seller is automatically paid.

When StockX started, Mr. Luber personally authenticated sneakers

When StockX started, Mr. Luber personally authenticated sneakers in a room of the office before taking them downstairs to be shipped. “And then if the freight elevator would break down for the day, we’d be like, ‘Oh, our whole business is done,’” Mr. Schwartz recalled with a laugh.

But Mr. Luber said the business wasn’t just an excuse to play with sneakers.

“Everyone feels like it’s impossible to get a pair of Off-White Jordans for retail” unless you have insider connections, Mr. Luber said, adding: “There was a reason the Foot Locker manager’s brother won the raffle every time.”

A version of this article appears in print on July 7, 2018, Section B, Page 3 of the New York edition with the headline: A Nasdaq for Sneakerheads? A Way to Tame the High-End Market. [Order Reprints](#) | [Today's Paper](#) | [Subscribe](#)

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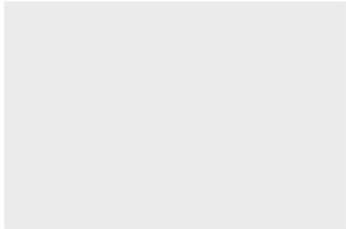
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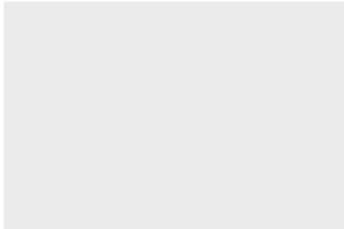
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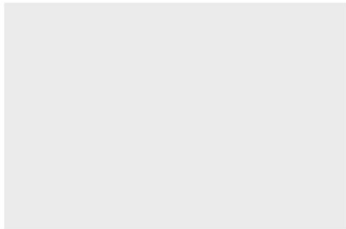
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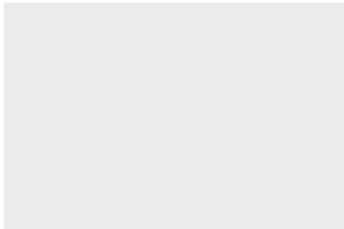
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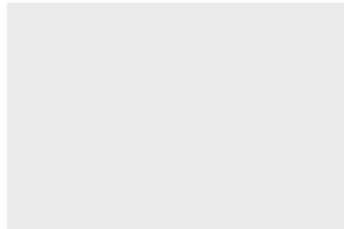


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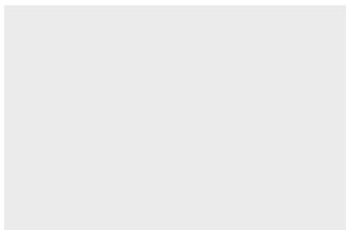
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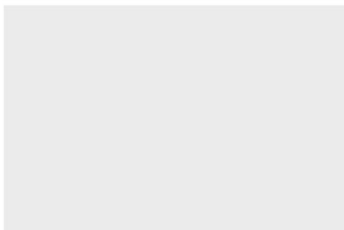
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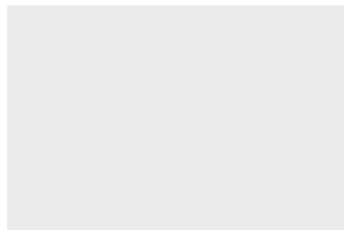
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